

HOUSE BILL REPORT

HB 2758

As Reported by House Committee On:
Finance

Title: An act relating to syrup taxes.

Brief Description: Providing a tax credit for syrup sales.

Sponsors: Representatives Ericks, Orcutt, Clibborn, Kessler, Nixon, Sells, McDonald, Williams, P. Sullivan, Roach, McCoy, Woods, Talcott, Haler, Simpson, Sump, Springer, Rodne, Condotta, Serben, Kristiansen, Ahern, Kretz, Linville, Tom, Armstrong and McCune.

Brief History:

Committee Activity:

Finance: 1/24/06, 2/1/06 [DPS].

Brief Summary of Substitute Bill

- Allows a business and occupation tax credit for the amount of carbonated beverage syrup tax paid by a retailer.

HOUSE COMMITTEE ON FINANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Condotta, Conway, Ericks, Hasegawa, Santos and Shabro.

Staff: Rick Peterson (786-7150).

Background:

The business and occupation (B&O) tax is levied for the privilege of doing business in Washington. The tax is levied on the gross receipts of all business activities (except utility activities) conducted within the state. There are generally no deductions for the costs of doing business.

A tax of \$1.00 per gallon is imposed on each wholesale sale and each retail sale of syrup used in making carbonated beverages in this state. Successive sales of previously taxed syrup are exempt. The tax is collected by wholesalers from retail purchasers or directly by retailers. Receipts from the tax are deposited into the Violence Reduction and Drug Enforcement Account (VRDE).

Summary of Substitute Bill:

A retailer may claim a credit against B&O tax liability for taxes imposed on syrup and paid after July 1, 2007, to a wholesaler or to the Department of Revenue. The amount of the credit is equal to 100 percent of the taxes paid.

Credits in excess of B&O tax paid may be carried forward to future reporting periods for a maximum of one year.

Substitute Bill Compared to Original Bill:

The substitute clarifies that the retailer receives the benefit of the B&O tax credit for amounts the retailer paid in carbonated beverage tax. The substitute starts the credit on July 1, 2007 rather than July 1, 2006.

Appropriation: None.**Fiscal Note:** Available.**Effective Date of Substitute Bill:** The bill takes effect on July 1, 2007.

Testimony For: (In support) This is an important bill for small restaurant owners who are struggling to remain in business. Margins are extremely low. Most restaurants, including the name brand franchises, are small businesses. They need tax relief in order to maintain viability. The bill does not reduce revenue to the VRDE account. Washington has the lowest restaurant margins in the United States and the highest minimum wage. For quick service restaurants the syrup tax is nearly equal to the B&O tax paid. Restaurants want to continue to be a viable part of their communities.

(Concerns) Generally one tax is not offset against another tax. Although the bill protects the VRDE account it puts the account at risk of having the back fill changed in the budget process.

Testimony Against: The Legislature needs to reject any new tax loopholes until all existing tax loopholes are subject to accountability and disclosure measures. The same kinds of audits that were enacted last year for government programs should apply to tax loopholes. New tax loopholes should be rejected until the regressive nature of Washington's tax system is changed. The lowest income households pay a disproportionate share of taxes.

Persons Testifying: (In support) Representative Ericks, prime sponsor; Denny Eliason, Washington Restaurant Association; Julianne Haner, McDonald's; and David Wilson, Dirty Dave's Pizza Parlor.

(With concerns) Gil Brewer, Department of Revenue; and Julie Peterson, Washington Association for Protection Against Violence and Substance Abuse.

(Opposed) Adam Glickman, SEIU 775.

Persons Signed In To Testify But Not Testifying: None.